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SUBJECT: PRESS CRITICAL OF J-POWER DECISION

REF: A) TOKYO 1027

B) TOKYO 956 AND PREVIOUS

¶1. Summary: Japanese press commentary has been sharply critical of the GOJ decision to block increased investment in electricity wholesaler J-Power by UK-based Children's Investment Master Fund (TCI). The criticism has largely centered on lack of a stated clear rationale for the government's decision and concern "anti-foreign business sentiment" could have a long-term negative impact on Japan's economic recovery. End Summary.

¶2. Leading business daily Nikkei has been the most vocal critic. In an April 17 editorial, the paper states, "the government's decision was not backed by solid argument" and questioned whether "outright rejection of TCI's investment was the only possible way to address the issue." While accepting, in part, the GOJ's contention that that there might be a conflict between Japan's long-term interest in nuclear power development and what it called investment funds' "quest for short-term profits," Nikkei worries "the government's ruling against TCI's investment plan will likely reinforce doubt among overseas investors about Japan's openness to foreign investment." "Such negative perceptions could eventually hobble the vital inflow of capital while hurting prospects for future economic growth."

¶3. An April 19 opinion piece in the same paper expands on these points, contrasting GOJ actions with the UK's decision 20 years ago "to open the country up and become a financial powerhouse attracting money from all over the world." The article concludes, "everyone here sees Japan as continuing to languish, and understands we should take advantage of the strength of the global economy to stimulate growth. If Japan is to coexist with the rest of the world, it must adopt global yardsticks and overhaul its mindset in line with international standards."

¶4. Liberal daily Asahi Shimbun has been equally critical. In an April 18 editorial, the paper acknowledges "electricity utilities are providers of public services," but notes the irony that Japan's Foreign Exchange Law would not stop a domestic fund from controlling the utility. Nor does it block TCI from winning support from other shareholders to hold a meeting to pass its proposals. "To make sure

electric power companies meet their minimum public interest obligations, it is necessary to establish investment rules that are applied equally to both domestic and foreign players." The paper then notes, if the government's fears about TCI are valid, then J-Power's 2003 privatization plan was "flawed." The paper concludes, "aversion to foreign investment could seriously harm the national interest over the long term. The government should send a strong message of its intention to open the nation's door further to foreign capital."

15. TCI meanwhile announced, according to an April 18 Nikkei report, that it will present a slate of shareholder proposals at J-Power's June annual general meeting calling for raising the company's annual dividend, reducing cross-shareholdings, and appointing three or more outside directors to J-Power's board. TCI Resident Director for Asia Pacific John Ho is quoted saying if J-Power ignores the shareholder proposals, TCI will oppose the re-election of J-Power President Yoshihiko Nakagaki to the company board.

SCHIEFFER